

LUXURY MEMO SPECIAL REPORTS

Outlook 2019: Question for luxury brands Who are you?

December 26, 2018



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In an atmosphere fouled by unrelenting political crises, growing nationalism and incipient economic uncertainty, luxury marketers will be hard-pressed to focus on the one issue that must acquire their undivided attention in 2019: the product.

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Yes, product. Because that is the sole reason why luxury brands and retailers exist: to offer exceptionally well-crafted, quality products and unparalleled service to highly discerning customers who feel they are worth it. Closely linked to product is the merchandise or service's relevance to the affluent customer's current lifestyle.

And yet, luxury marketers are at risk of taking their eyes off the prize. Most are willingly wading into the reeds checking off boxes on a list: digital embrace, sustainability policies, millennial friendliness, boulevard to street, training programs and delivering "experiences," whatever that means.

None of that matters not the consulting speak, not the groupthink, not the au courant "street" vagabond look, not the tech platform adoption if the product is not placed at the center of it all.

Matter of it

If the luxury product and its relevance for the first half of the 21st century is not front and center of every corporate strategy session, then the second-most important piece of the puzzle will not fit. Which is the customer.

The biggest danger that the luxury business faces and that includes players in fashion, leather goods and accessories, automotive, travel and hospitality, real estate, wines and spirits, art, fragrance and personal care, watches and jewelry, media, wellness, home furnishings, retail and financial services is irrelevance.

There is no other way to sugarcoat this: the luxury business is facing an unprecedented identity crisis. What is its product? How relevant is it to the quality-seeking consumer's wants, needs and lifestyle? Who should it target? How to reach out to this target without seeming grasping or, worse, familiar? How much sunlight to let in before the brand mystique slips out the backdoor? Does its founding story still sound authentic, or more pertinently, does it even matter anymore? Is the product really made key to the authenticity credentials where the label says it is? Do its values

resonate with its target audience?

Boil it down to its essence: what is the luxury product or service, how are its values communicated, why should consumers buy it and how should it be delivered?

Deliberate those issues alongside the tactical adjustments in 2019.

SWOT's up

Digital is now a way of life, accept it and move on with the right measures, skilled talent and scalable online and mobile technology that delivers an omnichannel experience meshed with bricks-and-mortar store operations.

That said, set aside those PowerPoints, pie charts and Instagram-ready moments and think hard, because at stake is the very future of the luxury brand.

Rinse and repeat: the future health of luxury brands depends on making hard decisions about product and its relevance.

Perhaps a quick SWOT analysis of the overall luxury business will help.

On the strength side are factors such as vaunted emphasis on quality, heritage, discretion and service. Luxury marques are the great survivors, and many forget why they take the long view, at least the brand custodians a few decades ago did.

Among the weaknesses are inertia, triumph of branding over manufacturing, dilution of exclusivity in pursuit of mass-market-like scale, hurtling from trend to trend (dumping real fur for petroleum-based, not-easily-degradable fake fur really?) and smugness ("We know best." No, you do not).

Externally, opportunities include an expanding wealthy class worldwide looking to upgrade its product and service consumption, the emerging transfer of assets and investments from the baby boomers to Gens X and Y, tremendous acceptance of ecommerce and mobile shopping and this new business of "experience."

And threats you name it: the encroachment from premium brands whose premise rings more authentic to younger affluent consumers; embrace of a casual lifestyle over formal etiquette; anemic bricks-and-mortar store traffic as shoppers gravitate to online and mobile shopping, thus severing the human link in luxury transactions; fewer retail doors as department stores struggle to justify their existence with more monobrand stores popping up; increasing regulations and restrictions on data-based marketing; crackdown on ostentation in China and a slowdown in that market; and unforeseen uprisings such as in France that reveal a growing frustration with government policies nakedly favoring the rich.

Add to that the looming disappearance in a few decades of entire product categories whose origins lay in the 19th and early 20th centuries.

Homes without china cabinets have repercussions for crystal, cut glass, porcelain, collectibles and silverware.

Eating takeout in souped-up kitchens impacts bone china, formal flatware and elegant linen sales. Eating out in unique dining experiences, as is becoming more popular, has the same effect.

Growth of ride-share services means fewer car sales time for luxury automakers to focus fleet sales on Uber and its ilk, albeit at the risk to brand exclusivity and positioning.

Casual dress comes at the cost of gowns, suits, dinner jackets, Oxford lace-ups and ties. Not that the replacements T-shirts, denimwear and sneakers are any cheaper.

The early-morning ritual of strapping on watches that post-adolescent marker of having arrived is giving way to fishing out a smartphone. Apple, ironically, is the savior of watch on wrist. But what did most luxury watchmakers do? Make poor-imitation smartwatches. And what did smart luxury marketers do? Make the leather strap, cobrand the Apple Watch and charge double the price way to go, Herms.

Smart luxury marketers should have two teams: one for today and one for tomorrow. The today team handles continuing operations with a handoff from the team of tomorrow whose job it is to innovate, anticipate and coopt change and disruption.

Without doubt, 2019 looks to be a year of transformation.

Ups and downs

The good news is that most market prognosticators, from researchers to management consultancies, expect low-single-digit growth in consumption of luxury products and services.

Sectors such as travel and hospitality, wellness, wealth management and automotive will see strong growth, while fashion will face more questions on its sustainability practices.

Meanwhile, the luxury real estate sector is already in the midst of an alarming inventory pileup of unsold high-end property. Department stores and street-level stores will continue to suffer cannibalization from consumer adoption of ecommerce and mobile discovery, shopping and purchasing.

Watchmakers will have to up the ante on their outreach to collectors.

Jewelers are acknowledging the emerging self-gifting pattern among millennials, but will have to do more as the younger affluent push off engagements and weddings later in their lives.

As always, there will be a marketing tussle over targeting aspirational customers versus those already with the means and from an older generation with more conservative tastes.

On a macro level, barring acts of God or terrorism, the global economy will seesaw after building to historic stock market highs.

China luxury sales will slow down with the crackdown on daigou, or personal shoppers. India will not yet emerge to its full potential. A rough Brexit landing, deal or no deal, will upset many calculations within the United Kingdom and the European Union.

The United States will be a bastion of luxury consumption, but political turmoil may affect economic confidence. Keep a beady eye on the stock market the key indicator of the truly wealthy cohort's health.

Nationalism and populism in the West could erect yet more barriers to business and mobility. Trade wars between blocs in the eastern and western hemispheres could dampen demand and raise tariffs for luxury products and services. And real wars could upend everything.

Not surprisingly, consumers, affluent or otherwise, are on edge. In response, they retreat to safe harbors activities, products or services that offer comfort and a semblance of stability.

But those macro issues largely are factors beyond a luxury marketer's control. All the company can do is have a plan B. Micro is a different story.

For 2019, the charter for luxury marketers should be clear: Pivot to product.

Brands need to ask themselves what they and their products or services stand for, because that is what their customers and prospects are asking.

Consumers seemingly want less product, and more meaning. Consumers do not want to simply wear the product or surround themselves with it, they want to take it in that, in a nutshell, is experience.

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[How will the luxury business shake out in 2019? Here is what a dozen leading experts have to say:](#)

[Ana Andjelic](#), luxury marketing and branding expert, on fashion

There are a few strong currents running through the luxury fashion industry right now.

The game of musical chairs when it comes to luxury fashion designers continues.

The identity crisis of some of the oldest and the most renown luxury fashion brands such as Brioni, Zegna, Loro Piana, Dolce&Gabbana, Versace and Chanel continues. They are caught in limbo when it comes to their cultural and consumer relevance. They have a loyal, but dwindling, group of consumers who are aging and they struggle to attract younger audiences that can revive the brand and ensure its long-term growth.

The biggest challenges in 2019 are the traditional organizational structures and processes of luxury fashion brands, which do not allow them to be sufficiently nimble in the current consumer markets. They do not have the internal

resources and capabilities to continuously create content and consumer dialogue on the ongoing basis and, no, having an Instagram account with the product and campaign imagery doesn't count. Their customer service, CRM, data collection and management capabilities, and sales and merchandising lag behind both the consumer demands and expectations and behind the pace of the ecommerce and mobile commerce today.

Another massive challenge for luxury fashion is cultural appropriation.

Regardless of numerous protests from inside and outside the industry, cultural appropriation is still widespread in the luxury fashion space.

The recent Dolce&Gabbana fiasco in China is the crudest and most literal expression of cultural insensitivity and cultural colonialism displayed by some of the luxury fashion brands.

In 2019, cultural insensitivity will not just be faux pas it will be a matter of lost profitability and market share.

Social commerce may make a strong comeback, with Instagram's new shopping app and with the tendency of consumers to discover, get inspired and shop from personalities and influencers and not from the luxury fashion brands themselves.

Nano-influencers will become important in this social shopping ecosystem, with mega influencers resembling mass media and nano-influencers building longer-lasting communities and dialogue.

There is a big opportunity for luxury fashion brands to detect, manage and maintain their taste communities.

Proximity to their taste communities will make luxury brands closer to streetwear, a merger that has been happening for a couple of years now.

Beyond playing in the streetwear market, with collaborations and investment in products such as sneakers, sweats and hoodies, luxury fashion brands have the opportunity to learn from streetwear about creating communities of loyalists, hobbyists and obsessives.

This will become even more important in 2019, as luxury fashion market becomes further fragmented and where mass media tactics continue to have a dwindling effect on consumers' purchasing decisions.

Brands with a strong aesthetic and cultural point of view such as Gucci and Balenciaga will continue to be relevant in the global luxury fashion market.

Stella McCartney found a strong brand voice in the sustainability and transparency conversation, which will become even more important in 2019, with increasing pressures on the luxury fashion brands to clean up their supply chains, release information about raw materials sourcing and stop inflating growth via overproduction.

There is a big job yet to be done in exciting luxury fashion consumers with sustainable materials and transparent production, and it would be great to see more of the consumer-facing, social influence-focused strategies of changing the consumer perceptions and expectations from luxury fashion when it comes to sustainability.

There is also an influx of independent, direct-to-consumer luxury fashion brands such as RUH Collective, Ports 1961 or Rejina Pyo that carefully select their retail partners and come into luxury fashion with a considered, thoughtful and customer-centric view and aesthetic.

Finally, there is a big continued opportunity as luxury fashion brands continue to experiment with new technologies such as blockchain, AI, 3D printing and the Internet of things, in addition to ever-evolving social media.

Blockchain, especially, has a big potential to introduce a much-needed transparency in luxury fashion's value chain, as well as to battle counterfeiting, which continues to cost the luxury fashion industry billions of dollars in lost value.

Stephanie Anton, president of [Luxury Portfolio International](#), on real estate

Domestically, 2019 should be an interesting year for the top end of the real estate market, based on the positive activity in 2018, but also based on the slowing pace for luxury in the second half of 2018.

This year the luxury market has been stronger than most realize, particularly in the first half of the year, and different from the overall market.

As median prices have been slowing and getting lots of media attention, the top 5 percent of many major metro markets have been growing, with sales over \$1 million up over 5 percent year over year, prices breaking records, in some cases by double digits, and in the majority of markets, inventory selling faster. This is happening simply

because of the health of the affluent.

Heading into Q4 the pace of growth, while still growing, began to taper with some reporting the smallest growth rate since 2016.

Looking forward, the 2019 luxury market will likely experience more of the softening we are seeing at the middle of the market, due to the volatile stock market as well the conditions in the overall market potentially "spooking" the emotional buyer at the high end.

This, of course, is an opportunity for the investor and those willing to move when others aren't. As a result, the potential softening in the high end should not be as dramatic as the overall market.

As far as outside of the U.S., 2019 is a year when we expect to see even more significant cross-market wealth shifting as more and more of the global elite invest "abroad" and across country lines. This is going to be particularly interesting as we watch wealth throughout Asia, in China and Hong Kong, of course, but also in India, South Korea, Vietnam and Indonesia, especially in the top 5 and top 1 percent.

In the U.K., the looming Brexit resolution in March of 2019 has the potential to impact the real estate market, though probably not too dramatically as much of the damage has already been done.

In fact, we're likely to see moderate growth in the U.K. again over the next few years.

In the E.U., we expect continued market fluctuations as a result of interest rates, with Germany continuing to lead the region as the most attractive place to invest with a strong economy and growing opportunities, though there are some question marks about a post-Merkel world.

In addition to interest rates, economic strength and environmental shifts, we'll also be watching other governments and political shifting around the world, as global leaders tend to make decisions about their overall market that have strong reverberations in the real estate space.

Yana Bushmeleva, chief operating officer of [Fashionbi](#), on fashion trends

- I see a rise of personalized goods and personalized marketing campaigns thanks to the studies of customer behavior and his or her shopping history
- Starting from 2017, brands, celebrities and retailers are actively collaborating with each other for special collections. I believe this trend will continue across brands from different segments and industries.
- With the continued change of the traditional schedule of the fashion shows, more brands will break the status quo and propose alternative campaigns
- There will be an increased role of public opinions and judgments over the collections and advertising campaigns, for example, in the cases of H&M, Dolce&Gabbana and Dior
- Increased number of experiments with the AI technology for mobile and ecommerce, with Zara and Yoox apps as first examples
- Double standards towards sustainability. From one side the brands are refusing to use fur, exotic leather, etc. in the collections showing concern about the impact on the environment. But from the other side, almost zero information about the production process, the real cost of the products, the overall overproduction and short lifecycle of the products

Alison (Levy) Bring, chief marketing officer of [Launchmetrics](#), on millennials and digital

As the luxury consumer continues to change, the industry is starting to focus on the next generation of customers, millennials.

The biggest challenge is balancing digital strategies with traditional marketing tactics so as not to alienate their existing customer base which, according to Launchmetrics data, represents on average 77 percent of the industry for 2018 (boomers/Generation X).

To be successful in 2019, luxury brands must be able to address the need for accessibility by the new millennial consumer, while maintaining their exclusivity.

With this shift, along with customers' desire to return to authenticity, influencers play an essential role in helping brands engage. They act as the middleman to build relationships on behalf of the brand and serve as a consumer

authority.

Moving forward, the brands that will get it right are those that leverage data and deep learning to respond to market trends and drive business decisions.

With the product launch cycle becoming shorter and shorter think the see-now, buy now trend staying competitive will mean it's critical for brands to understand their audience better and identify trends faster to anticipate the needs of the ever-changing consumer landscape.

Tehsin Daya, vice president of business development at [Uberall](#), on "near me" search, monitoring and managing customer reviews and voice search adoption

"Near me" search will continue to grow in mobile.

Over the past year, "near me" searches have exploded, especially on mobile.

In fact, more than 80 percent of consumers have done a "near me" search on their mobile device. This number is staggering, and is likely to grow in 2019.

It also means that "near me" search is a key trend that retail marketers should keep front-and-center moving forward. The reason is that consumers now find more stock in proximity and the convenience it affords even more than brand loyalty.

What's more, as people opt to keep GPS and location services on when using their device, they're in better position to take advantage of proximity-based searches.

Looking ahead, "near me" search offers tremendous opportunity for both retailers and marketers.

Brands will also proactively monitor and manage customer reviews.

Almost one-third of consumers believe that online reviews are important.

With people now more reliant on their mobile devices than ever before, it's easy for them to look at customer reviews before deciding to spend money at a retailer.

Further, 65 percent of shoppers believe that stores should respond directly to customer reviews. This means that brands will have to spend more time checking online reviews and responding to them if they want to win over customers. But it doesn't stop there.

Customers aren't going to be satisfied with just a generic response from a store. They're also looking for personalization, showing that the brand cares about them.

So retailers will have to keep providing thoughtful responses to online customer reviews if they want to win over new customers and keep their existing ones happy.

Finally, voice adoption will grow, which will be a boon for retailers.

In three years, voice search may make up 50 percent of all searches.

For retailers and business owners keeping up with search engine optimization best practices, this new method of search is a game-changer. It's a relief to know that many of the functional differences between voice and standard search are subtle.

However, the result of performing well in voice search can mean less competition and more sales for businesses ready to take on the challenge.

Voice search is changing the game for SEO by taking the need for screens out of the equation.

Since digital assistants only tend to relay a single answer to voice search requests, the business that fulfills that top answer could feasibly multiply the number of customers shopping in their stores.

In the New Year, expect more retailers to optimize their Web site's keywords for voice search to be present across more business listings and multiple search engines, maps and apps, and to optimize search relevance with positive reviews.

These three tactics will maximize findability among voice searches.

Meredith Ferguson, managing director of [DoSomething Strategic](#), on transparency in the supply chain and

meaningful inclusivity

- *Transparency in the supply chain and tangible impact.* Conscious consumerism is becoming more and more a badge of honor.

Young consumers care about the ethical and environmental impact of their purchases: "do no harm" is only the baseline.

Making a positive impact, taking a stand on social and environmental issues, and finding ways to do good with your product is what will give smart brands an edge.

Our recent report found 76 percent of young people said they have purchased or would purchase a brand or product to show support for the issues the brand supported.

- *Meaningful inclusivity.* Young people want to see themselves in the product. This is more than ensuring your advertising is diverse: it's about celebrating real people and tackling issues that are relevant to young people, and meeting them where they are at.

We've seen this done well with Rimmel's recent cyberbullying campaign, "**I Will Not Be Deleted**".

The campaign highlighted women across all backgrounds who had the common experience of being bullied for their appearance and gave them a platform to share their story and support each other.

Young people will continue to want luxury that is self-expressive and made for them, so products that can be personalized or individualized will be embraced.

Vincent Krsulich, executive vice president and managing director of **Martini Media**, on media and advertising

Unfortunately, or fortunately, 2019 will bring a massive decline in print magazine advertising.

I recently read that the average American spends only 4 percent of their media consumption hours with magazines. For instance, Conde Nast's *Glamour* no longer prints a magazine.

Further, for the most part, readers are not actively seeking Web sites of legacy magazine publishers.

In 2019, we will see the end of legacy brand dominance as the first place to go for luxury advertising. There is too much innovation and excitement in the native digital market.

A digital-first paradigm will be discussed at every St. Regis power breakfast. Period.

But where do luxury advertisers go digitally? Traditional glossy magazines were the number one place to reach a qualified, safe, unique, luxury audience. This massive final shift to all digital means a lot of work for luxury advertisers. The choices are endless. The data is endless. The always-on customer is beyond challenging.

Next year, luxury advertisers will experiment and forge new, exciting relationships.

One area luxury advertisers will test is mobile.

Although the canvas size is small, luxury advertisers will continue to buy mobile video and mobile ads as consumers spend more and more time on their phones.

Because luxury advertising is creatively focused, there is an opportunity for luxury to lead the way with mobile.

Several luxury advertisers like Saks, Volvo, Net-A-Porter, Four Seasons, Fendi, Swarovski and Lincoln already are producing amazing, high-impact digital display perhaps an additional trend for luxury advertising in 2019.

Some luxury advertisers will explore programmatic the death of luxury as we know it.

Yet, the sophisticated CMOs will take an orchestrated approach compared with an automated one. They will use their data, technology and customer insights to conduct great music, relying on a smaller pool of partners and vendors to help with the acoustics. This is a growing trend across all of digital.

Many brands and publishers are exhausted with programmatic the data, the targets, the transparency, the inability to help build a brand, the staffing, the learnings, the lack of ability to pull it all together, et cetera.

From a fashion and beauty perspective, DTC [direct-to-consumer] brands will continue to disrupt, causing established brands to innovate quickly.

Luxury brands must be consumer centric to remain relevant and compete. Some are well on their way: Saks

reimagined its flagship store in New York City and launched the Fearless Women's Series. And Fenty by Rihanna is now a part of the LVMH portfolio.

For luxury brands to remain competitive, they will need to focus on creating a thoughtful consumer-centric experience. This approach will influence advertising campaigns throughout the year.

Being consumer centric will require truly understanding the consumer DNA, what they need, and how to turn those observations into meaningful brand experiences that create a dialogue.

If you know that your consumer loves fashion and is passionate about female entrepreneurs, then create experiences and advertising that tie the two together. This will build brand loyalty quickly.

Again, all of this means work. Work for advertisers. Work for ad agencies. Work for partners. But hard work is what built these powerful luxury brands. Hard work will help them live forever. Re-read the story of Gabrielle Bonheur Chanel for inspiration.

Sarah Martinez, vice president of retail at [Verizon's Oath](#) (soon to become Verizon Media Group), on retail brand marketing, particularly seamless in-store shopping, millennials, content to commerce, mobile and self-gifting

From customer acquisition to brand loyalty, retail is a highly competitive space.

Shoppers have unparalleled transparency and access thanks to mobile. And that can be a scary thought for retail brands, but it doesn't have to be.

Here are my predictions for retail brand marketers in the year ahead:

Seamless shopping experiences in-store

Physical stores will offer better and more digital experiences in 2019, with tech to make it easier for shoppers to find items and gain more product information. This should lead to a faster shop for many, where searching aisles and shelves for the right item is replaced by an app that guides shoppers to where they want to be.

Resurgence of bricks and mortar: Physical stores offer customers a more tangible shopping experience, where they can see products before they commit to purchase. This gives these spaces an advantage over online providers, and we are seeing stores begin to capitalize on that and add in extras to incorporate more of the benefits of online.

Millennials grow up

Millennials, a cohort of 80 million, have matured, and with that comes major life events such as marriage and having children.

Last year [40 percent of millennials](#) were reported to be parents that's 32 million moms and dads.

According to the [National Retail Federation](#), millennial parents are more educated than parents in other generations and are more likely to have above-average household incomes.

What do millennial parents want? Utility, brand authenticity, personalization and a tech-savvy experience.

Connecting content to commerce

According to a recent Oath study, 54 percent of holiday shoppers' purchase decisions are influenced by content.

We'll see retailers connect the dots between storytelling and shoppable content more in 2019.

- Last month we announced a new exclusive shoppable series on Yahoo Lifestyle, The NowWith Network. It's a celebrity-driven, interactive platform that will connect consumers with top talent, brands and products through premium storytelling and interactive shoppable experiences.
 - So far we're working with actress and entrepreneur Nicole Richie and brand partner Honey Minx (Richie's debut beauty line) for "Style NowWith" and actress Janel Parrish and eBay for a series "Deals NowWith."

Marketers get better on mobile

Mobile usage has skyrocketed.

In a recent Oath study, we found that consumers spend five-plus hours a day on their phones, and that number continues to grow.

Mobile has transformed shopping as we know it, so instead marketers should ask, how can we create useful and meaningful connections with shoppers on mobile?

- More than one third (37 percent) of U.S. consumers are willing to pay more for a product or service when they can get a superior shopping experience with mobile, [according to a study by Worldpay](#).
- What new technology is worth investing in? Innovative new mobile ad formats such as DPA, Mobile Moments and even augmented reality (AR).
 - AR ads offer shoppers an incredibly enhanced experience, while also providing the utility that today's consumer demands. And the appetite is there; [nearly 75 percent](#) of consumers already expect retailers to offer a mobile AR experience, according to *Business Insider*.
 - We've been testing new ad formats with some of the world's leading brands, including The Home Depot and Pottery Barn, and are seeing incredible traction and positive performance.

Within the AR ad, shoppers can select pieces of furniture and virtually place those items in their living space, all on their mobile device. Shoppers can see how a Pottery Barn lamp will appear in their living room, before even making their purchase.

Self-gifting on the rise

Millennials are driving this trend.

According to Oath's Holiday Shopping Study, 50 percent of holiday shoppers bought gifts for themselves during the 2017 holiday shopping season. Fifty-eight percent of millennial holiday shoppers bought "me" gifts, an increase of 14 percent versus the 2016 holiday shopping season.

Over a quarter of holiday shoppers (28 percent) bought gifts for themselves during the post-holiday season.

Thirty-four percent of millennials bought "me" gifts during the post-holiday season and are more likely to buy for themselves compared to shoppers ages 35-plus. I anticipate this will only continue in 2019 and become more of a year-round phenomenon.

How the 2018 shopping season sets up retail for 2019 will consumer spending remain strong or will consumers save and hold dollars until the 2019 holidays? Either way, brand loyalty is the key to a successful 2019.

Ken Nisch, chairman of [JGA](#), on luxury trends in a larger societal, cultural and economic context

As 2018 comes to a close, it's often a time for reflection as well as projection. Think economy, politics, commerce and luxury, as intertwined both historically as well as looking to the past and into the future.

What might be the obvious and the less obvious trends and context that will impact luxury in the year ahead?

The Unrest Movement. We increasingly have become a culture of middle and upper class protesters.

The overturn of governments in Brazil had streets filled with office workers, doctors, lawyers, school teachers and protesters that were decidedly different than the underclass and the poor that changed governments in the past.

In France, we see the streets filled with bureaucrats and small town professionals, who have created an environment that has chased away the tourists, impacted the opening of shops and even tested their ability to brush off the realities of burning cars and smashing windows with an elegant response polished lucite protest barriers on the outside of the stores, allowing visibility to see what's inside, but another level and layer of protection from the realities of the street.

Changing governments in Eastern Europe economics, impact on new economies or economies and even China, with its economic slowdown, may see a tepid, although real, expressions of consumer frustration in what arguably is today the luxury business' most important market.

If luxury, by definition, is one that is beyond the necessary, finds itself judged or positioned as a barrier or an alternative to the necessary, will the peace, stability and tranquility so necessary for luxury particularly feel good? Will luxury consumption be challenged?

This not only involves the purchase of the products, but as well the enjoyment and use of luxury products.

In some environments, today's display of luxury is a challenge given the danger of conspicuous consumption of

wealth. Is the future more of a question of the stigma versus the danger?

The increasing inner connection and ownership of technology platforms including retail, online and as well technology platforms that help luxury brands better understand, motivate and engage with their customers seems to be another growing trend that will only increase.

The acquisition of these major startup platforms which puts into question their ability to act as agnostic and impartial purveyors of luxury products other than of their new owners will change the competitive retail landscape.

While acquisitions and consolidations often provide new opportunities, particularly in emerging and less mature economies where technology entrepreneurs find fewer, and accept, barriers to entry, will these acquisition platforms ultimately turn around against the legacy luxury brands by opening the door to a host of new, more difficult to control brands, and positioned in more challenging parts of the world to take their place?

New approaches to technology. Think StockX as an example where a different kind of value generator, as well as extractor, the authenticator, processor and go-between, is entering into the conversation between the consumer and the product.

How will 2019 find luxury goods companies see their products viewed more as investments, such as a share of Apple stock, than necessarily luxury icons?

The evolution of what's acceptable as only being new, or being old or "my" new movement evolve? The growth of vintage, resale and even remix of luxury good products is well established in markets such as the United States and many parts of Europe.

Much less accepted in Asia, Mexico and South America is this concept of luxury, with the exception of heirloom jewelry and antiques, but certainly not in the world of fashion as it exists today.

Will changes in the consumer psychology ranging from issues of sustainability, social equality or even just thumbing one's nose at convention find these markets with a new psychology that embraces a luxury segment, that tightens the demand for new, always increasing and a flow of luxury goods, versus engaging and satisfying the emotional need for luxury, albeit through vintage, upcycling and some of the most interesting space, Remake, that brings a new and different voice together, albeit not under the control of the world's global luxury brands?

And speaking of new voices, how will the new voices that we're finding in politics, entertainment, many motivated through movements such as Me Too, and what do these voices have to say about the role of luxury, the role of women, minorities and a business of luxury and to what degree that luxury has supported or primarily profited by its relationship with these consumers?

In what ways will luxury brands be willing to take risks, address challenge related to social justice and the environment when the host culture may or may not be in agreement and threatened of course, implicitly to challenge the brands' access and operation within its borders?

I believe the next year will be a time when many global brands, just not luxury brands, will be forced to make a decision, take a stand and come to face the reality that the sidelines become the hardest place to stand versus the easiest.

With all these challenges, many trends in the New Year align closely with luxury, but only authentic luxury.

The new consumers, clearly still developing in the acquisitive portions of the world versus the inquisitive, wants to own less, own better, own longer and invest in products, services and relationships and particularly with brands that partner with their entire ownership of product. They're looking for companies that reflect their personal and ethical choices, and many of their lifestyle choices, which have prompted them to defer or not contemplate many of the high-ticket and capital-intensive choices of their parents have provided them with the liquidity and cash flow to actively engage with the luxury brands they choose.

These new consumers have an open mind for these luxury companies to provide them many things for their lives, just not a limited range of products, through their relationship, and today they may as well own a purse as own shares in the company stock, when those beliefs are mirrored.

The challenges for luxury brands in the next year may be more focused on the "how" of what they do, than necessarily the "what" that they manufacture.

Milton Pedraza, CEO of the [Luxury Intitute](#), on growth across key luxury categories

We expect the luxury goods industry to grow 3 to 5 percent globally.

Luxury services, including travel will grow from 8 to 12 percent.

Luxury real estate may actually decline in volume and value, especially in major metro areas around the world.

The wild card factor is a potential downturn in the global economy driven by potential trade wars, the slowdown and fragility of the Chinese economy, and combined turmoil in Europe, mostly within Britain, France and Italy. If this occurs, this may drive stock market declines that dampen luxury spending across the board.

Luxury consumers continue to buy less goods, as they continue to adopt shared-use models in several goods categories. They also continue to spend more of their income on travel, food and beverage, wellness, fitness and health, and other services, depending on their life stage.

Kosta Popov, founder/CEO of [Cappasity](#), on interactive product visualization, millennials, and augmented and virtual reality technology

Interactive product visualization will be the next big thing in online luxury goods sales

Advancements in online marketing and increase in use of digital media for product marketing in 2019 are the key factors contributing to the growth of the global luxury goods industry.

The more the online shopping experience resembles the one in physical stores, the more effective the growth will be.

One of the important growth drivers is the growth in the use of solutions for interactive product visualization.

Millennials will continue to drive the need for retailers to leverage visualization in their online product presentation

A study by Bain & Company and Farfetch estimated that 70 percent of worldwide luxury purchases were influenced by at least one digital interaction.

Millennials are at the vanguard, with 52 percent agreeing that they always research for information before buying, compared with 45 percent of Gen Z consumers and 41 percent of baby boomers.

Digital technology gives brands an easy way to engage with younger consumers, who are increasingly glued to their smartphones and the Internet.

The gap between the online and physical shopping experience will lessen

A Retail Perception report states that 40 percent of consumers would be willing to pay more for a product if they could experience it through augmented reality (AR) and virtual reality (VR), while 77 percent of shoppers say they want to use augmented reality to see product differences such as a change in color or style.

The desire for online shoppers to be able to come as close as possible to the experience of shopping in-store is clearly there.

Retailers will continue to respond through technologies such as 3D and AR/VR.

Thoma Serdari, brand strategist, founder of [Brand\(x\)Lux](#), co-editor of [Luxury: History, Culture, Consumption](#) and adjunct professor of marketing at [New York University's Leonard N. Stern School of Business](#), on community within luxury

One word that describes the luxury retail market today is community. This sounds ironic considering the state of American politics and its intensely proliferating divisions.

Perhaps this is exactly the reason why people like to find or form communities that they can call their own. The marketplace offers an antidote to political and social instability and not in a superficial way: this has nothing to do with retail therapy.

Communities built around social, cultural or fitness interests for example, whisky tasting clubs or cycling groups offer consumers a platform through which to exchange facts and opinions about products and services.

Consumer-generated content spreads quickly, thanks to technology. Reputations are built or destroyed easily. This has already had significant consequences for the luxury retail market that has seen an array of brand extensions being built around such communities with clearly defined values.

When the community becomes a lifestyle, product launches are its organic extensions.

Moreover, with a captive audience that already believes in that community's brand, setting higher prices meets less resistance. Which also means that while the income gap continues to grow in the United States, the luxury retail market has seen more product and brand launches than ever before.

Luxury may feel a little crowded lately.

In that sort of competitive space, luxury marketers need a set of new skills to remain relevant in 2019:

Flexibility: Most retail analysts focus their discussions on the latest technological innovations meant to revolutionize the marketplace.

While technology is important in strengthening the bond between brands and consumers and in perfecting production and delivery of products and services, internal organization of brands and how they adopt these technologies are more important.

In other words, it is not wise to spend thousands of dollars and several months in adopting a new type of technology to keep up with competitors.

It is best to launch several small-scale pilot projects that test these tools with a variety of customer segments whose profiles have been studied carefully. The consumer decides which type of technology is relevant.

Creativity: How to dissect an existing customer base and how to create campaigns, products, or services that respond to their physical, emotional and intellectual needs are skills that only a few luxury brands have mastered.

All brands address the physical because we live in a physical world. Strong brands address consumers' emotional needs as well.

Successful luxury brands are the only ones that have mastered the process of creating intellectually stimulating content for their client base. What type of talent do brands need to hire to keep up with these three extremely important aspects of the customer profile?

Introspection: Regrouping for the new year often translates in adopting new strategies that are a direct response to a competitor's strategy, to greater societal trends, or to technological innovations. All this is fine and good.

What would make a brand invincible, however, is time set aside to study how its internal structure: core concept, foundational pillars and key people or departments are organized to support the growth of a loyal community around the brand.

In other words, luxury retailers thrive when they address their operations and organization vertically from A to Z. They also thrive when they regularly readjust around the main core concept that solidifies the brand universe and clarifies its expressions for the consumer.

[Want to hear first-hand from luxury brands, retailers and analysts how they see 2019 panning out? Join us at Luxury FirstLook 2019 in New York on Jan. 16](#)